

TOWNSHIP OF BROOKFIELD

Eaton County, Michigan

23-1030

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓
RECEIVED
DEPT. OF TREASURY

Year Ended March 31, 2004

AUG - 3 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|--|-------------------------------------|---|------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Township of Brookfield | County Eaton |
| Audit Date March 31, 2004 | Opinion Date July 5, 2004 | Date Accountant Report Submitted to State: July 5, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|--|-------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | City Bay City | State MI | Zip 48707 |
| Accountant Signature Campbell, Kusterer & Co., P.C. | | | |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 5, 2004

To the Township Board
Township of Brookfield
Eaton County, Michigan

We have audited the general purpose financial statements of the Township of Brookfield, Eaton County, Michigan, as of March 31, 2004, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Brookfield's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Brookfield, Eaton County, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Brookfield, Eaton County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

| | <u>Governmental Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Account Group</u> |
|------------------------------------|-----------------------------------|--------------------------------|---------------------------------|
| | <u>General</u> | <u>Trust and Agency</u> | <u>General Fixed Assets</u> |
| <u>Assets</u> | | | |
| Cash in bank | 331 236 70 | 1 609 27 | - |
| Taxes receivable | 2 833 11 | - | - |
| Due from other funds | 304 87 | - | - |
| Land | - | - | 500 00 |
| Building | - | - | 35 000 00 |
| Equipment | - | - | 13 415 37 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>334 374 68</u> | <u>1 609 27</u> | <u>48 915 37</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities: | | | |
| Due to other funds | - | 304 87 | - |
| Due to others | - | 497 93 | - |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>-</u> | <u>802 80</u> | <u>-</u> |
| Fund equity: | | | |
| Investment in general fixed assets | - | - | 48 915 37 |
| Fund balances: | | | |
| Reserved for cemetery maintenance | - | 806 47 | - |
| Unreserved: | | | |
| Undesignated | 334 374 68 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total fund equity | <u>334 374 68</u> | <u>806 47</u> | <u>48 915 37</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Equity | <u>334 374 68</u> | <u>1 609 27</u> | <u>48 915 37</u> |

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

332 845 97

2 833 11

304 87

500 00

35 000 00

13 415 37

384 899 32

304 87

497 93

802 80

48 915 37

806 47

334 374 68

384 096 52

384 899 32

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

| | <u>Total (Memorandum Only) General Fund</u> |
|-----------------------------|---|
| Revenues: | |
| Property taxes | 28 754 68 |
| Licenses and permits | 320 00 |
| State revenue sharing | 99 432 00 |
| Charges for services: | |
| Property tax administration | 9 299 39 |
| Cemetery | 450 00 |
| Interest | 1 502 21 |
| Miscellaneous | <u>132 82</u> |
| Total revenues | <u>139 891 10</u> |
| Expenditures: | |
| Legislative: | |
| Township Board | 4 509 08 |
| General government: | |
| Supervisor | 7 842 72 |
| Elections | 905 62 |
| Assessor | 9 480 78 |
| Attorney | 66 74 |
| Clerk | 11 810 00 |
| Board of Review | 318 50 |
| Treasurer | 13 922 00 |
| Building and grounds | 979 57 |
| Cemetery | 6 884 45 |
| Unallocated | 1 307 95 |
| Public safety: | |
| Fire protection | 19 408 00 |
| Ambulance | 1 147 00 |
| Public works: | |
| Drains at large | 3 072 62 |
| Highways and streets | 24 635 00 |
| Sewer | 2 950 67 |
| Other: | |
| Insurance | 5 019 00 |
| Payroll taxes | 1 217 36 |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

| | Total (Memorandum Only) General Fund |
|---|--|
| Expenditures: (continued) | |
| Debt service | <u>28 348 01</u> |
| Total expenditures | <u>143 825 07</u> |
| Excess (deficiency) of revenues over expenditures | (3 933 97) |
| Fund balance, April 1 | <u>338 308 65</u> |
| Fund Balance, March 31 | <u><u>334 374 68</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 1

| | General Fund | | |
|-----------------------------|--------------|------------|---------------------------|
| | Budget | Actual | Over (Under) Budget |
| Revenues: | | | |
| Property taxes | 40 000 00 | 28 754 68 | (11 245 32) |
| Licenses and permits | 500 00 | 320 00 | (180 00) |
| State revenue sharing | 90 000 00 | 99 432 00 | 9 432 00 |
| Charges for services: | | | |
| Property tax administration | 10 000 00 | 9 299 39 | (700 61) |
| Fire | 3 000 00 | - | (3 000 00) |
| Cemetery | 1 000 00 | 450 00 | (550 00) |
| Interest | 500 00 | 1 502 21 | 1 002 21 |
| Miscellaneous | 2 500 00 | 132 82 | (2 367 18) |
| Total revenues | 147 500 00 | 139 891 10 | (7 608 90) |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 4 575 00 | 4 509 08 | (65 92) |
| General government: | | | |
| Supervisor | 7 897 52 | 7 842 72 | (54 80) |
| Elections | 2 050 00 | 905 62 | (1 144 38) |
| Assessor | 10 550 00 | 9 480 78 | (1 069 22) |
| Attorney | 250 00 | 66 74 | (183 26) |
| Clerk | 12 144 00 | 11 810 00 | (334 00) |
| Board of Review | 500 00 | 318 50 | (181 50) |
| Treasurer | 14 733 00 | 13 922 00 | (811 00) |
| Building and grounds | 1 350 00 | 979 57 | (370 43) |
| Cemetery | 7 500 00 | 6 884 45 | (615 55) |
| Unallocated | 3 500 00 | 1 307 95 | (2 192 05) |
| Public safety: | | | |
| Fire protection | 40 000 00 | 19 408 00 | (20 592 00) |
| Ambulance | 1 500 00 | 1 147 00 | (353 00) |
| Public works: | | | |
| Drains at large | 5 500 00 | 3 072 62 | (2 427 38) |
| Highways and streets | 25 500 00 | 24 635 00 | (865 00) |
| Sewer | 6 000 00 | 2 950 67 | (3 049 33) |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 2

| | <u>General Fund</u> | | |
|--|---------------------|-------------------|------------------------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
| Expenditures (continued): | | | |
| Other: | | | |
| Insurance | 5 250 00 | 5 019 00 | (231 00) |
| Payroll taxes | 1 500 00 | 1 217 36 | (282 64) |
| Debt service | <u>28 500 00</u> | <u>28 348 01</u> | <u>(151 99)</u> |
| Total expenditures | <u>178 799 52</u> | <u>143 825 07</u> | <u>(34 974 45)</u> |
| Excess (deficiency) of revenues over expenditures | (31 299 52) | (3 933 97) | 27 365 55 |
| Fund balance, April 1 | <u>32 445 00</u> | <u>338 308 65</u> | <u>305 863 65</u> |
| Fund Balance, March 31 | <u>1 145 48</u> | <u>334 374 68</u> | <u>333 229 20</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES – ALL NONEXPENDABLE TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT D

| | <u>Total</u> |
|-------------------------|---------------|
| Nonoperating revenue: | |
| Interest | 4 43 |
| Operating expense | <u>-</u> |
| Net income | 4 43 |
| Fund balances, April 1 | <u>802 04</u> |
| Fund Balances, March 31 | <u>806 47</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINED STATEMENT OF CASH FLOWS –
ALL NONEXPENDABLE TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT E

| | <u>Total</u> |
|--|----------------------|
| Cash flows from operating activities | <u>-</u> |
| Net cash provided by operating activities | <u>-</u> |
| Cash flows from investing activities: | |
| Increase in interest income | <u>4 43</u> |
| Net cash flows from investing activities | <u>4 43</u> |
| Net increase (decrease) in cash and cash equivalents | 4 43 |
| Cash and cash equivalents at beginning of year | <u>802 04</u> |
| Cash and Cash Equivalents at End of Year | <u><u>806 47</u></u> |
| Net operating income (loss) | - |
| Adjustments | <u>-</u> |
| Net Cash Provided by Operating Activities | <u><u>-</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Brookfield, Eaton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Brookfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Related Organization

The Rural Fire Association was established as a legally separate nonprofit organization. Members pay dues yearly and have one member and one vote on the Board of Directors. Currently, the members are the Townships of Brookfield, Carmel, Chester, Eaton, and Walton. The Association has a contract with the City of Charlotte for expenses connected with fire department services in the areas serviced. The Township of Brookfield does not hold title to any of the Association's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Association. The Township of Brookfield paid \$16,408.00 to the Association in the year ended March 31, 2004.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

The Current Tax Collection Fund is used to account for assets held as an agent for others. The Nonexpendable Trust Funds are reserved for cemetery maintenance.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9053 mills and the taxable value was \$31,762,598.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> |
|---|-----------------------------|
| Total Deposits | <u>332 845 97</u> |
| Amounts in the bank balances are without considering deposits in transit or uncleared checks. | |
| | <u>Bank Balances</u> |
| Insured (FDIC) | 100 000 00 |
| Uninsured and Uncollateralized | <u>208 736 57</u> |
| Total Deposits | <u>308 736 57</u> |

The Township of Brookfield did not have any investments as of March 31, 2004.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

| | <u>Balance 4/1/03</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 3/31/04</u> |
|-----------|---------------------------|------------------|------------------|----------------------------|
| Land | 500 00 | - | - | 500 00 |
| Building | 35 000 00 | - | - | 35 000 00 |
| Equipment | <u>13 415 37</u> | <u>-</u> | <u>-</u> | <u>13 415 37</u> |
| Totals | <u>48 915 37</u> | <u>-</u> | <u>-</u> | <u>48 915 37</u> |

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|-------------|---------------------------------|------------------------|------------------------------|
| General | <u>304 47</u> | Current Tax Collection | <u>304 47</u> |
| Total | <u>304 47</u> | Total | <u>304 47</u> |

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

| | <u>Balance 4/1/03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 3/31/04</u> |
|--------------------------|---------------------------|------------------|-------------------|----------------------------|
| Contract payable - roads | <u>27 710 66</u> | <u>-</u> | <u>27 710 66</u> | <u>-</u> |
| Total | <u>27 710 66</u> | <u>-</u> | <u>27 710 66</u> | <u>-</u> |

Note 6 – Contract Payable – Roads

On May 20, 1998, the Township of Brookfield entered into a contract with the Eaton County Road Commission in the amount of \$126,099.09 for road improvements within the Township. Starting June 15, 1999, the Township made one payment of principal and interest every year up to 2003, and one interest only payment every January 15. The contract was recorded in the General Long-Term Debt Account Group. During the year ended March 31, 2004, the principal balance was paid in full.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 7 – Deferred Compensation Plan

The Township of Brookfield offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Township of Brookfield) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Brookfield's financial statements.

Note 8 – Pension Plan

The Township does not have a pension plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

The Township of Brookfield does not issue building permits. Building permits are issued by the County of Eaton.

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

| | |
|--------------------------|------------------|
| Township Board: | |
| Wages | 2 138 45 |
| Miscellaneous | 2 370 63 |
| | <u>4 509 08</u> |
| Supervisor: | |
| Wages | 7 652 72 |
| Miscellaneous | 190 00 |
| | <u>7 842 72</u> |
| Elections: | |
| Wages | 556 50 |
| Miscellaneous | 349 12 |
| | <u>905 62</u> |
| Assessor: | |
| Contracted service | 9 000 00 |
| Supplies | 480 78 |
| | <u>9 480 78</u> |
| Attorney | <u>66 74</u> |
| Clerk: | |
| Wages | 11 319 00 |
| Supplies | 171 00 |
| Miscellaneous | 320 00 |
| | <u>11 810 00</u> |
| Board of Review: | |
| Wages | <u>318 50</u> |
| Treasurer: | |
| Wages – Treasurer | 10 183 00 |
| Wages – Deputy Treasurer | 2 270 00 |
| Supplies | 1 274 00 |
| Miscellaneous | 195 00 |
| | <u>13 922 00</u> |
| Building and grounds: | |
| Utilities | <u>979 57</u> |
| Cemetery: | |
| Repairs and maintenance | <u>6 884 45</u> |
| Unallocated: | |
| Supplies | <u>1 307 95</u> |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

| | |
|-----------------------|-------------------|
| Fire protection: | |
| Contracted services | <u>19 408 00</u> |
| Ambulance: | |
| Contracted services | <u>1 147 00</u> |
| Drains at large: | |
| Contracted services | <u>3 072 62</u> |
| Highways and streets: | |
| Contracted services | <u>24 635 00</u> |
| Sewer: | |
| Contracted services | <u>2 950 67</u> |
| Insurance | <u>5 019 00</u> |
| Payroll taxes | <u>1 217 36</u> |
| Debt service | <u>28 348 01</u> |
| Total Expenditures | <u>143 825 07</u> |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINING BALANCE SHEET – ALL TRUST AND AGENCY FUNDS

March 31, 2004

EXHIBIT G

| | <u>Agency Fund</u> | <u>Nonexpendable Trust Funds</u> | | |
|------------------------------------|---------------------------------------|--------------------------------------|------------------------------------|------------------------|
| | <u>Current Tax Collection</u> | <u>Nellie Miller Trust</u> | <u>Lela Troutner Trust</u> | <u>Total</u> |
| <u>Assets</u> | | | | |
| Cash in bank | <u>802 80</u> | <u>289 00</u> | <u>517 47</u> | <u>1 609 27</u> |
| Total Assets | <u><u>802 80</u></u> | <u><u>289 00</u></u> | <u><u>517 47</u></u> | <u><u>1 609 27</u></u> |
| <u>Liabilities and Fund Equity</u> | | | | |
| Liabilities: | | | | |
| Due to other funds | 304 87 | - | - | 304 87 |
| Due to others | <u>497 93</u> | <u>-</u> | <u>-</u> | <u>497 93</u> |
| Total liabilities | <u><u>802 80</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>802 80</u></u> |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Reserved for cemetery | <u>-</u> | <u>289 00</u> | <u>517 47</u> | <u>806 47</u> |
| Total fund equity | <u><u>-</u></u> | <u><u>289 00</u></u> | <u><u>517 47</u></u> | <u><u>806 47</u></u> |
| Total Liabilities and Fund Equity | <u><u>802 80</u></u> | <u><u>289 00</u></u> | <u><u>517 47</u></u> | <u><u>1 609 27</u></u> |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES – ALL NONEXPENDABLE TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT H

| | <u>Nellie Miller Trust</u> | <u>Lela Troutner Trust</u> | <u>Total</u> |
|-------------------------|------------------------------------|------------------------------------|----------------------|
| Nonoperating revenue: | | | |
| Interest | 1 59 | 2 84 | 4 43 |
| Operating expense | <u>-</u> | <u>-</u> | <u>-</u> |
| Net income | 1 59 | 2 84 | 4 43 |
| Fund balances, April 1 | <u>287 41</u> | <u>514 63</u> | <u>802 04</u> |
| Fund Balances, March 31 | <u><u>289 00</u></u> | <u><u>517 47</u></u> | <u><u>806 47</u></u> |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

COMBINING STATEMENT OF CASH FLOWS –
ALL NONEXPENDABLE TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT I

| | Nellie Miller Trust | Lela Troutner Trust | Total |
|---|---------------------------|---------------------------|--------|
| Cash flows from operating activities | - | - | - |
| Net cash provided by operating activities | - | - | - |
| Cash flows from investing activities: | | | |
| Increase in interest income | 1 59 | 2 84 | 4 43 |
| Net cash flows from investing activities | 1 59 | 2 84 | 4 43 |
| Net increase (decrease) in cash and cash equivalents | 1 59 | 2 84 | 4 43 |
| Cash and cash equivalents at beginning of year | 287 41 | 514 63 | 802 04 |
| Cash and Cash Equivalents at End of Year | 289 00 | 517 47 | 806 47 |
| Net operating income (loss) | - | - | - |
| Adjustments | - | - | - |
| Net Cash Provided by Operating Activities | - | - | - |

TOWNSHIP OF BROOKFIELD
Eaton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT J

| | <u>Balance</u> <u>4/1/03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>3/31/04</u> |
|--------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | <u>309 07</u> | <u>877 914 46</u> | <u>877 420 73</u> | <u>802 80</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 309 07 | 35 279 22 | 35 283 42 | 304 87 |
| Due to others | - | 842 635 24 | 842 137 31 | 497 93 |
| Total Liabilities | <u>309 07</u> | <u>877 914 46</u> | <u>877 420 73</u> | <u>802 80</u> |

CAMPBELL, KUSTERER & CO., P.C.

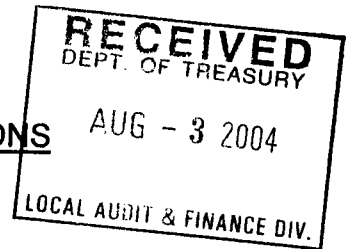
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 5, 2004

To the Township Board
Township of Brookfield
Eaton County, Michigan

We have audited the financial statements of the Township of Brookfield, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Brookfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Brookfield
Eaton County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Brookfield
Eaton County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Brookfield will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer: Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants